

# **Item: 5**

**Policy and Resources Committee: 21 December 2021.**

**Strategic Reserve Fund – Budget Review and Long-Term Forecast.**

**Report by Head of Finance.**

## **1. Purpose of Report**

To review the level of disbursements from the Strategic Reserve Fund used to support General Fund Services and other Council priorities for financial year 2022/23 onwards.

## **2. Recommendations**

The Committee is invited to note:

### **2.1.**

That the Strategic Reserve Fund Managed Funds investments are predicted to outperform the approved budget for financial year 2021/22, as indicated in the probable outturn column of Appendix 1 to this report.

### **2.2.**

That, after allowing for distributions of £8,170,000 during financial year 2021/22, the value of the Strategic Reserve Fund is estimated to increase by £11,419,000 to £245,135,000 as at 31 March 2022.

### **2.3.**

That, with existing distribution commitments of £9,385,000 for financial years 2022/23, 2023/24 and 2024/25, and with £20,963,000 allocated to support General Fund Services over the same period, the available headroom within the Strategic Reserve Fund relative to the minimum balance or “Floor” is estimated to decline from £29,364,000 to £21,819,000, or from approximately 12.0% to 8.4% of usable reserves, over the next three years.

### **2.4.**

That, while much uncertainty remains within the global economy and therefore considerable volatility can be anticipated from investment returns over the short to medium term, the investment strategy adopted for the Strategic Reserve Fund managed funds investments seeks to improve the level of diversification and focus on income generation going forward.

## **2.5.**

That the draft long term 10-year budget forecast, attached as Appendix 2 to this report, indicates that the Strategic Reserve Fund is sustainable over this period based on an assumed level of income generation being achieved and a restricted level of disbursements.

## **2.6.**

That a prudent approach is recommended when considering requests for additional disbursements from the Strategic Reserve Fund over the next three financial years.

## **2.7.**

That the financial commitment from the Strategic Reserve Fund to the General Fund for financial years 2021/22, 2022/23 and 2023/24 was set as a cumulative total of £22,083,000 over the three-year period.

## **2.8.**

That financial contributions of £6,350,000 and £7,470,000 for financial years 2020/21 and 2021/22 respectively results in a proposed financial contribution of £8,263,000 being available for 2022/23.

## **2.9.**

The proposal that the indicative baseline financial contribution from the Strategic Reserve Fund to the General Fund reverts to £6,350,000 for financial years 2023/24 and 2024/25.

### **It is recommended:**

## **2.10.**

That a financial contribution of £8,263,000 from the Strategic Reserve Fund to the General Fund, forming part of the three-year cumulative commitment referred to at paragraph 2.7 above, be used as a planning assumption as part of the Council's budget setting process for financial year 2022/23.

## **2.11.**

That the minimum balance or "Floor", below which the value of the Strategic Reserve Fund should not fall, be set at £225,049,000 as at 1 April 2022.

## **2.12.**

That, in line with the aspiration of setting a three-year budget, indicative figures of £232,701,000 and £237,820,000 be set as the minimum balance or "Floor", below which the value of the Strategic Reserve Fund should not fall for financial years 2023/24 and 2024/25 respectively, subject to annual review.

### **2.13.**

That the Strategic Reserve Fund budget for financial year 2022/23, together with indicative budgets for 2023/24 and 2024/25, attached as Appendix 1 to this report, be approved.

### **2.14.**

That the long-term 10-year budget forecast for the Strategic Reserve Fund, attached as Appendix 2 to this report, be endorsed as a financial planning document.

## **3. Background**

### **3.1.**

The purpose of the Strategic Reserve Fund is to support projects which provide benefit to the Orkney community as a whole, such as the development of industrial estates, harbour infrastructure and recreational projects, while supporting economic development activity in general across the Council area. The Strategic Reserve Fund is also required to support the long-term objective of managing the implications associated with declining oil related revenues on the economy of the islands and to contribute to the decommissioning costs of the Flotta terminal at the end of its life.

### **3.2.**

The Strategic Reserve Fund has been applied to supplement General Fund services on a restricted basis as part of a strategy, whereby the Council has pressed Scottish Government for equality of treatment in the finance settlement across the Island unitary authorities. More recently, this approach has been extended to support the delivery of income generation and efficiency saving plans. When the Council set the budget for financial year 2021/22, it was agreed that £7,470,000 from the Strategic Reserve Fund be used as a funding source to supplement the General Fund revenue budget.

### **3.3.**

The current income focused strategy for the Strategic Reserve Fund managed fund investments was adopted on the basis that it offered the prospect of more predictable returns for the Strategic Reserve Fund along with a lower risk profile achieved through improved diversification

### **3.4.**

This ongoing reliance on the Strategic Reserve Fund as a means of balancing the General Fund budget as part of a long-term financial strategy is not best practice, particularly given the levels of volatility that continue to impact on investment returns.

## **4. Budget Monitoring 2021/22**

### **4.1.**

The Strategic Reserve Fund has performed well in financial year 2021/22 and is expected to return a surplus of £11,419,000 on the year, which is £9,007,000 ahead of budget. However, after current inflation is factored in, the overall reported position for the Fund in real terms is that of an anticipated loss of £920,000, which is £44,000 higher than the overall budgeted position for financial year 2021/22. This means that the value of the Fund is not expected to keep pace with inflation during financial year 2021/22.

### **4.2.**

The main factors contributing towards the probable outturn position at 31 March 2022, and as set out in the budget statement, attached as Appendix 1 to this report, are as follows:

- Investment activities – managed funds income of £19,322,000, including unrealised gains in the value of investments, which is £5,194,000 ahead of budget.
- Surplus on the Scapa Flow Oil Port of £780,000 which is £500,000 ahead of budget.
- Distributions of £8,170,000 which is £4,294,000 behind budget.
- Retail Price Index (RPI) Inflation estimated to reach 5.1% by 31 March 2022, which is 3.7% or £9,051,000 higher than the budget assumption.

## **5. Review of the Floor**

### **5.1.**

The minimum balance or “Floor” for the Strategic Reserve Fund was established at £175,000,000, as at 1 April 2012, and has been recalculated using RPI up until 31 March 2021, to maintain its capital value in real terms.

### **5.2.**

As part of the budget setting process for 2021/22, it was agreed that Consumer Price Index (CPI) be used as the basis for the “Floor” calculation going forward. Using the official figures available from the Office for National Statistics, together with estimates from the UK Government’s Autumn Budget Statement and spending review, CPI has been estimated at 4.3% as at 1 April 2022 and has been used to calculate the “Floor” balance of £225,049,000.

#### **5.2.1.**

By way of comparison, had the minimum balance or “Floor” been uprated by CPI effective from 1 April 2012, the rebased “floor” balance would be standing at £209,311,000 as at 1 April 2022, a reduction of £15,738,000.

### **5.3.**

The value of the Strategic Reserve Fund usable reserves has been estimated at £245,135,000 as at 31 March 2022. This compares favourably with the minimum balance or “Floor” of £215,771,000 as at 1 April 2021 and represents probable headroom of £29,364,000 for financial year 2021/22. Thereafter, the headroom is forecast to decline to £21,819,000 over the three years to 31 March 2025, as the level of disbursements on the Strategic Reserve Fund exceeds the amount of income generated in real terms.

### **5.4.**

While budget projections assume that the available headroom within the Strategic Reserve Fund will decline from £29,364,000 to £21,819,000, or from approximately 12.0% to 8.4% of usable reserves, over the three financial years from 2022 to 2025, these estimates need to be considered in the context of the uncertainty that remains within the global economy.

### **5.5.**

As such, it is considered that much volatility can still be anticipated from the Council’s investment returns over the short to medium term, and therefore a prudent approach is recommended when considering any requests for additional disbursements over this period.

### **5.6.**

In setting a budget for financial year 2022/23, it is proposed that a minimum balance or “Floor” for the Strategic Reserve Fund of £225,049,000 should be applied as at 1 April 2022.

### **5.7.**

Also, indicative figures of £232,701,000 and £237,820,000 should be set as a minimum balance or “Floor”, below which the value of the Strategic Reserve Fund should not fall, for financial years 2023/24 and 2024/25 respectively. The indicative figures for years two and three will be subject to annual review as part of the Council’s budget setting process.

## **6. Strategic Reserve Fund Performance**

### **6.1.**

Over the past 10 years, up to and including 2021/22, the Strategic Reserve Fund has been used to fund the provision of Council services and contribute to various capital projects and other initiatives to the value of £75,811,000, as follows:

	<b>£'000.</b>
Community Development Fund	2,890.
General Fund Services	51,187.
Scapa Flow Oil Port losses	6,086.
Capital programme contributions	5,067.
House Build Programme	4,398.
Island Games	28.
Strategic Projects – Renewables	2,323.
Other initiatives	832.
Coronavirus Business Hardship Support Fund	3,000.
<b>Total</b>	<b>75,811.</b>

## **6.2.**

The impact that these distributions were having on the long-term sustainability of the Strategic Reserve Fund was formally recognised in 2012, when the Council established a policy to review the sustainability of the Strategic Reserve Fund when considering any future requests for financial assistance. At that time, in reviewing the investment strategy for the Strategic Reserve Fund managed funds, it was recognised that the income would not be sufficient to maintain a distribution level of £5,000,000 per annum from the Strategic Reserve Fund and maintain the real value of the Fund over time. The review however focused solely on externally managed fund investments and did not take account of the contribution that local investments and the Scapa Flow Oil Port can make to the Strategic Reserve Fund.

## **6.3.**

More recently, in May 2021, a follow-up review considered by the Investments Subcommittee provided assurance that the current income focused investment strategy remained appropriate for the Strategic Reserve Fund managed fund investments. While the review confirmed that expected returns in terms of the current strategy were expected to reduce from 5.6% to 5.2% per annum over a rolling three-year period, largely due to the impact of COVID-19 on the global growth forecasts, this level of income is now considered sufficient to support annual distributions of approximately £6,350,000 per annum and still maintain the value of the Strategic Reserve Fund in real terms.

### **6.3.1.**

The review further considered that, to achieve annual disbursements in line with the proposed level of £8,263,000 for financial year 2022/23, the required nominal return increases closer to 6% per annum, while distributions above £10,000,000 appear to be unsustainable based on current fund size and expected returns on assets.

#### **6.4.**

The improvement in the financial strength of the Strategic Reserve Fund can be attributed to the current policy of sustaining the value of the fund in real terms over this period.

#### **6.5.**

Supplementing this position has also been the practice whereby distributions from the Strategic Reserve Fund are not financed directly from the liquidation of Strategic Reserve Fund investments or income distributions, but instead through internal borrowings on the Council's loans fund as a means of managing internal cashflow balances. This has allowed the value of the Strategic Reserve Fund managed fund investments to grow from £175,000,000 on 1 April 2012 to £277,100,000 as at 30 November 2021, but also means that the Strategic Reserve Fund is estimated to be carrying a Loans Fund Advance from the Council of approximately £19,689,000 as at 31 March 2022.

#### **6.6.**

The forecast cashflow requirements, as detailed in Appendix 1 to this report, indicates a requirement to draw down £29,000,000 over the 3-year period 2022 to 2025.

#### **6.7.**

With financial year 2022/23 being Year 3 of a 3-year funding commitment to support General Fund services, it is considered that a contribution of £8,263,000 in financial year 2022/23 is affordable. Thereafter, the underlying assumption is that the Fund's commitment reverts to a baseline contribution of £6,350,000 in financial year 2023/24 and onwards. It is considered that it should be possible to maintain distributions from the Strategic Reserve Fund at these levels and still maintain the value of the Fund above the minimum balance or "Floor" as indicated in Appendix 2 to this report.

#### **6.8.**

There are several other commitments on the Strategic Reserve Fund that are also expected to be drawn down over the next three years, including the following contributions:

- £8,070,000 towards the General Fund capital programme.
- £972,000 towards the Island Games 2023.
- £343,000 towards Strategic Projects (Scale Wind, Staff Resources, Grid Connection, Private Wire).

#### **6.9.**

While the existing level of net distribution commitments on the Strategic Reserve Fund, estimated at £12,908,000, £10,720,000, and £6,720,000 for financial years 2022/23, 2023/24 and 2024/25 respectively, are regarded as being sustainable over the short to medium term, it should be noted that any disbursements will have an

adverse impact on the capacity of the Strategic Reserve Fund to generate income in the future. In simple terms, the disbursement of £30,348,000 of funds over the three-year period translates into a loss of income generating capacity within the Fund of approximately £1,578,000 per annum, based on a long-term investment target return of 5.20%.

## **6.10.**

The budget estimates have been prepared using several assumptions, not least of which is that the level of investment returns generated from the Strategic Reserve Fund managed funds can be maintained at 5.20% per annum, but also that the activities of the Scapa Flow Oil Port are such that there is a greater degree of optimism in the level of surpluses to be expected over the next three years.

## **7. Long Term Budget Forecast**

### **7.1.**

In assessing the sustainability of the Strategic Reserve Fund, it is considered good practice to review the impact of the current financial arrangements over the longer term. Appendix 2 to this report provides a 10-year projection or forecast for the Fund.

### **7.2.**

In assessing any financial projection or forecast over the longer term, it is helpful to remember that the information is only ever as good as the underlying assumptions behind the figures. Also, the longer-term financial forecast should be considered in the context that much uncertainty remains within both the UK and global economies over the short term such that the level of underlying risk of error is likely to increase significantly as the timeline of any forecast is extended out beyond the short-term.

### **7.3.**

The forecast is based on the following assumptions using both local experience and government forecasts:

- Investment income – managed funds – 5.2%.
- Investment income – local investments – 0.0% to 5.5%.
- Inflation – Consumer Price Index – 2.0% (Retail Price Index – 3.0%).

### **7.4.**

The main driver in terms of financial performance comes from investing activities, primarily through externally managed fund investments but also to a lesser extent through local investments. This means that there is a clear trade-off between the pursuit of investment returns and the associated risks, such that the Strategic Reserve Fund is exposed to a higher level of risk than it would be if, for example, the funds were invested in short term cash deposits.



## **7.5.**

A review of the performance of local investments on 28 August 2019 by the Investments Sub-committee identified a need to review the governance arrangements surrounding these investments, noting that many existing arrangements were relatively long-standing. By contrast, externally managed fund investments are regularly reviewed with, for example, the recent review in February 2019 agreeing a shift in strategy towards a more diversified income focused strategy along with a commensurate reduction in risk volatility.

## **7.6.**

The long-term forecast indicates that the Strategic Reserve Fund model is working, in that the Fund is expected to remain above the minimum balance or “Floor” over the next 10-year period. This is however caveated on the basis that the Fund, including the diverse portfolio of investments, is anticipated to perform in line with the range of assumptions, as set out in section 7.3 above, over this period.

## **7.7.**

Whilst the level of disbursements planned for Years 1 to 3 are relatively high, principally as a result of planned contributions to the General Fund capital programme, this does result in a material reduction in the available headroom over this period. This position does then improve steadily over the remainder of this period, over years 4 to 10, although it is notable that no additional funding commitments have been flagged for these seven years. By far the largest draw on the Strategic Reserve Fund is the annual funding contribution to General Fund services being £69,115,000 over the 10-year forecast period. Whilst the forecast shows this should be a sustainable position, the impact is considerably higher when the opportunity cost is factored in, as the loss of investment income, at 5.2% per annum compounded over 10 years, would equate to an additional £22,150,000 or a mark-up of 32.0%.

## **7.8.**

There is a risk that the predicted level of volatility assumed in the investment strategy results in two or more consecutive years of low or negative investment returns and that would cause the “Floor” to be breached if the draw from reserves were not also revised downwards. A prudent approach is therefore recommended when considering any requests for additional disbursements.

## **7.9.**

It is proposed that the long term 10-year budget forecast be endorsed as a financial planning document and reviewed annually as part of the Council’s budget setting process for the Strategic Reserve Fund going forward.

## **8. Corporate Governance**

### **8.1.**

This report relates to the Council complying with its financial processes and procedures and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and the Local Outcomes Improvement Plan.

### **8.2.**

Operation of a sustainable Strategic Reserve Fund contributes indirectly to the provision of Council services and therefore will assist in delivering the Council's priorities, as detailed in the Council Plan 2018 to 2023, by allocating resources to those areas of activity which have been highlighted as priorities as a result of public and staff engagement exercises.

## **9. Financial Implications**

### **9.1.**

It is recognised that a clear link needs to be maintained between the level of distributions being made by the Strategic Reserve Fund and the actual level of investment income being generated if the value of the Strategic Reserve Fund is to be maintained in real terms.

### **9.2.**

Accordingly, the established practice that requests for additional disbursements from the Strategic Reserve Fund are supported by a full business case appraisal and are accompanied by an impact assessment prepared by the Head of Finance should continue. This should ensure that due regard is given to the associated financial implications, and that the full impact that any such proposals have are quantified in terms of the sustainability of the Strategic Reserve Fund as a whole and the level of funds available for distribution in future years.

## **10. Legal Aspects**

### **10.1.**

Section 95 of the Local Government (Scotland) Act 1973, as amended, obliges the Council to make arrangements for the proper administration of its financial affairs.

### **10.2.**

Section 69 (3)(e) of the Orkney County Council Act 1974 permits the Council to apply any reserves established thereunder for any purposes which in the opinion of the Council is solely in the interests of the County or its inhabitants.

### **10.3.**

The Council must make arrangements which secure best value. An authority securing best value will be able to show that it is making effective and efficient use of its financial resources.

## **11. Contact Officers**

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## **12. Appendices**

Appendix 1: Strategic Reserve Fund – Draft 3 Year Budget for financial years 2022/23, 2023/24 and 2024/25.

Appendix 2: Strategic Reserve Fund – 10 Year Long Term Budget Forecast.

SRF Draft 3 year budget - 2022/25	2021/22 Budget Estimate £000's	2021/22 Probable Outturn £000's	2022/23 Budget Estimate £000's	2023/24 Budget Estimate £000's	2024/25 Budget Estimate £000's
Investment Activities - local investments	( 174)	( 180)	( 180)	( 180)	( 180)
- managed funds	( 14,128)	( 19,322)	( 14,355)	( 14,447)	( 14,669)
- loans fund	14	15	39	183	189
- other, including strategic projects	510	1,651	1,444	1,094	1,124
Property Investments	( 750)	( 790)	( 790)	( 790)	( 790)
Renewable Energy	( 150)	( 143)	( 143)	( 143)	( 143)
Scapa Flow Oil Port	( 280)	( 780)	( 780)	( 780)	( 780)
Loan Charges - interest and debt management	( 51)	( 50)	( 50)	( 51)	( 51)
Loan Charges - CFCR	119	0	119	119	119
Other	14	10	10	10	0
<b>Net budget surplus</b>	<b>( 14,876)</b>	<b>( 19,589)</b>	<b>( 14,686)</b>	<b>( 14,985)</b>	<b>( 15,181)</b>
	1.4%	5.1%	4.2%	3.0%	3.0%
<b>less allocation to protect value of fund @ RPI</b>	<b>3,288</b>	<b>12,339</b>	<b>10,641</b>	<b>7,658</b>	<b>7,790</b>
<b>Balance available for disbursement</b>	<b>( 11,588)</b>	<b>( 7,250)</b>	<b>( 4,045)</b>	<b>( 7,327)</b>	<b>( 7,391)</b>
<b>Disbursements:</b>					
General Fund Services	7,470	7,470	8,263	6,350	6,350
Covid-19 Fund	0	0	0	0	0
Contribution to capital projects - HRA	0	0	0	0	0
Contribution to capital projects - General Fund	4,000	0	4,070	4,000	0
Contribution to the Island Games	300	6	232	370	370
North Isles Landscape Partnership Scheme	246	246	0	0	0
Contribution to other projects, incl. revenue strategic project	448	448	343	0	0
	12,464	8,170	12,908	10,720	6,720
<b>Deficit/(Surplus) on SRF (in real terms)</b>	<b>876</b>	<b>920</b>	<b>8,863</b>	<b>3,393</b>	<b>( 671)</b>
<b>Deficit/(Surplus) on SRF (actual)</b>	<b>( 2,412)</b>	<b>( 11,419)</b>	<b>( 1,778)</b>	<b>( 4,265)</b>	<b>( 8,461)</b>
<b>Cashflow - Opening Balance</b>	<b>( 13,964)</b>	<b>( 15,219)</b>	<b>( 19,689)</b>	<b>( 18,270)</b>	<b>( 17,201)</b>
Surplus/(Deficit) on year	2,412	11,419	1,778	4,265	8,461
Less: Non-cash - Managed Funds Income	( 14,128)	( 19,322)	( 14,355)	( 14,447)	( 14,669)
Fund Transfers - Inflow/(Outflow)	11,716	1,802	12,577	10,182	6,208
Other Movements	494	1,631	1,419	1,069	1,089
<b>Cashflow - Closing Balance</b>	<b>( 13,470)</b>	<b>( 19,689)</b>	<b>( 18,270)</b>	<b>( 17,201)</b>	<b>( 16,112)</b>
	<b>2021/22</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>Budget</b>	<b>Probable</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>
	<b>Estimate</b>	<b>Outturn</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>SRF Balance Sheet</b>					
Investment Properties	19,918	19,799	19,918	20,037	20,156
Local Investments	8,287	9,788	9,748	9,708	9,668
Managed Funds Investments	254,705	276,050	277,828	282,093	290,554
OIC Loans Fund Deposit/(Advance)	( 13,470)	( 19,689)	( 18,270)	( 17,201)	( 16,112)
Provisions	( 31,835)	( 32,585)	( 33,954)	( 34,973)	( 36,022)
Net Accruals	( 178)	5	5	5	5
Net Assets	237,427	253,368	255,275	259,669	268,249
Less: Unusable Reserves	8,690	8,233	8,362	8,491	8,610
	<b>228,737</b>	<b>245,135</b>	<b>246,913</b>	<b>251,178</b>	<b>259,639</b>
<b>Represented by: Useable Reserves</b>					
Strategic Reserve Fund	210,497	226,840	228,259	232,170	240,270
Flotta Terminal Decline/Decommissioning Fund	6,761	6,829	7,045	7,256	7,474
Conservation Fund	193	194	194	194	194
Travel Fund	105	105	105	105	105
Talented Performers Fund	62	62	62	62	62
Orkney Memorial Fund	463	461	461	461	461
Talented Young Persons Fund	12	12	12	12	12
Renewable Energy Fund	9,274	9,262	9,405	9,548	9,691
Capital Receipts Reserve	1,370	1,370	1,370	1,370	1,370
	<b>228,737</b>	<b>245,135</b>	<b>246,913</b>	<b>251,178</b>	<b>259,639</b>
<b>Target Minimum Balance or "Floor" for SRF</b>	<b>215,622</b>	<b>215,771</b>	<b>225,049</b>	<b>232,701</b>	<b>237,820</b>
Useable Headroom	13,115 5.7%	29,364 12.0%	21,864 8.9%	18,477 7.4%	21,819 8.4%

## SRF Draft 10 year budget projection - 2022/32

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Investment Activities - local investments	( 180)	( 180)	( 180)	( 180)	( 180)	( 150)	( 150)	( 150)	( 150)	( 150)
- managed funds	( 14,355)	( 14,447)	( 14,669)	( 15,109)	( 15,576)	( 16,062)	( 16,567)	( 17,093)	( 17,640)	( 18,210)
- loans fund	39	183	189	322	300	277	241	217	193	168
- other, including strategic projects	1,444	1,094	1,124	1,158	1,193	1,229	1,265	1,303	1,342	1,383
Property Investments	( 790)	( 790)	( 790)	( 806)	( 822)	( 838)	( 855)	( 872)	( 890)	( 907)
Renewable Energy	( 143)	( 143)	( 143)	( 146)	( 149)	( 152)	( 155)	( 158)	( 161)	( 164)
Scapa Flow Oil Port	( 780)	( 780)	( 780)	( 801)	( 822)	( 843)	( 864)	( 885)	( 906)	( 927)
Loan Charges - interest and debt management	( 50)	( 51)	( 51)	( 51)	( 51)	( 51)	( 51)	( 51)	( 51)	( 51)
Loan Charges	119	119	119	150	150	150	150	150	150	150
Other	10	10	0	0	0	0	0	0	0	0
<b>Net budget surplus</b>	<b>( 14,686)</b>	<b>( 14,985)</b>	<b>( 15,181)</b>	<b>( 15,463)</b>	<b>( 15,957)</b>	<b>( 16,441)</b>	<b>( 16,985)</b>	<b>( 17,538)</b>	<b>( 18,112)</b>	<b>( 18,709)</b>
	4.2%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
less allocation to protect value of fund @ RPI	10,641	7,658	7,790	7,789	8,059	8,339	8,630	8,934	9,250	9,578
<b>Balance available for disbursement (in real terms)</b>	<b>( 4,045)</b>	<b>( 7,327)</b>	<b>( 7,391)</b>	<b>( 7,674)</b>	<b>( 7,898)</b>	<b>( 8,102)</b>	<b>( 8,355)</b>	<b>( 8,604)</b>	<b>( 8,862)</b>	<b>( 9,131)</b>
<b>Disbursements:</b>										
General Fund Services	8,263	6,350	6,350	6,477	6,607	6,739	6,873	7,011	7,151	7,294
Community Development Fund	0	0	0	0	0	0	0	0	0	0
Contribution to capital projects - HRA	0	0	0	0	0	0	0	0	0	0
Contribution to capital projects - General Fund	4,070	4,000	0	0	0	0	0	0	0	0
Contribution to the Island Games	232	370	370	0	0	0	0	0	0	0
North Isles Landscape Partnership Scheme	0	0	0	0	0	0	0	0	0	0
Contribution to other projects, incl. revenue strategic project	343	0	0	0	0	0	0	0	0	0
<b>Total Planned Disbursements</b>	<b>12,908</b>	<b>10,720</b>	<b>6,720</b>	<b>6,477</b>	<b>6,607</b>	<b>6,739</b>	<b>6,873</b>	<b>7,011</b>	<b>7,151</b>	<b>7,294</b>
<b>Deficit/(Surplus) on SRF (in real terms)</b>	<b>8,863</b>	<b>3,393</b>	<b>( 671)</b>	<b>( 1,197)</b>	<b>( 1,292)</b>	<b>( 1,363)</b>	<b>( 1,482)</b>	<b>( 1,593)</b>	<b>( 1,711)</b>	<b>( 1,837)</b>
<b>Deficit/(Surplus) on SRF (actual)</b>	<b>( 1,778)</b>	<b>( 4,265)</b>	<b>( 8,461)</b>	<b>( 8,986)</b>	<b>( 9,351)</b>	<b>( 9,702)</b>	<b>( 10,112)</b>	<b>( 10,527)</b>	<b>( 10,961)</b>	<b>( 11,415)</b>
<b>Useable Reserves</b>	<b>246,913</b>	<b>251,178</b>	<b>259,639</b>	<b>268,625</b>	<b>277,975</b>	<b>287,678</b>	<b>297,790</b>	<b>308,317</b>	<b>319,278</b>	<b>330,693</b>
<b>Target Minimum Balance or "Floor" for SRF</b>	<b>225,049</b>	<b>232,701</b>	<b>237,820</b>	<b>244,955</b>	<b>252,304</b>	<b>259,873</b>	<b>267,669</b>	<b>275,699</b>	<b>283,970</b>	<b>292,489</b>
Useable Headroom	21,864	18,477	21,819	23,670	25,671	27,805	30,121	32,618	35,308	38,204
	8.9%	7.4%	8.4%	8.8%	9.2%	9.7%	10.1%	10.6%	11.1%	11.6%